HMS FINANCIAL GROUP

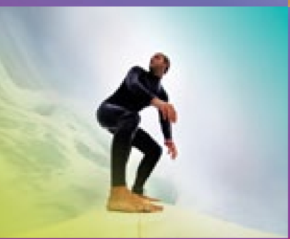
WEALTH MANAGEMENT & FINANCIAL PLANNING

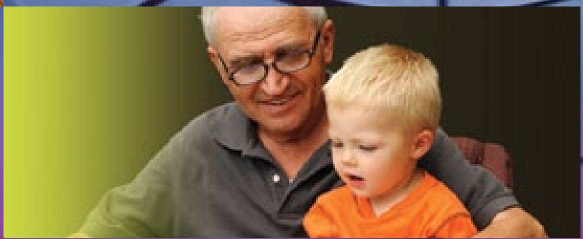
EYE ON MONEY

NOV DEC 2014

2014 YEAR-END TAX PLANNING GUIDE

YEAR-END STRATEGIES TO MINIMIZE YOUR TAXES





TIPS TO HELP AGING PARENTS MANAGE THEIR FINANCES

OPTIMIZING YOUR ASSET LOCATION

FIVE THINGS TO KNOW ABOUT DEDUCTING CHARITABLE CONTRIBUTIONS

1 **You may only deduct charitable contributions if you itemize deductions on your tax return.**

2 **The amount you may deduct may be limited depending on your annual income, the type of property you donate, and the type of organization you donate it to.** Amounts in excess of the limits can generally be deducted over the next five years.

3 **Donations of used clothing and household goods generally must be in good condition to be deductible.**

4 **A donation of appreciated securities, such as stocks or mutual funds, that you have owned for longer than one year is generally deductible at full market value.** Plus, you avoid having to pay tax on the securities' long-term capital gains.

5 **You must keep records of your contributions.** The type of record depends on the value of your contributions and whether they are cash, noncash, or expenses related to volunteering. ■

Please consult your tax advisor for advice on deducting your charitable contributions.

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inside


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States are holding billions in unclaimed property—is any of it yours?

$42 BILLION DOLLARS OF UNCLAIMED property is sitting in state treasuries, waiting to be claimed by the rightful owners. New York State alone is sitting on $13 billion of unclaimed property. Texas has $3 billion. Pennsylvania has $1.9 billion.

Does any of it belong to you? It may if you ever forgot to cash a check, lost track of a financial account or safe deposit box, moved without notifying businesses that may owe you money, or unknowingly inherited money.

State laws generally require businesses and financial institutions to turn over cash and property to the state after there has been no activity on the account or contact with the owner for a specified number of years. The state treasurer's office or comptroller's office is then typically responsible for the assets until they are restored to their owners.

How do you find out whether property you lost, forgot, or never knew about is waiting for you? A good place to start is at www.missingmoney.com, a website where you can review the unclaimed property records of many states with a single search. Simply enter your name and home state to see a list of property being held for someone with your name. For those states not represented in the database, you can generally search on the states' unclaimed property websites, which are listed on www.missingmoney.com and www.unclaimed.org. Both sites are free.

It is a good idea to check all of the states where you have lived. Businesses turn over unclaimed property to the state of your last known address. If a business does not have your address, it turns over the property to the state where it is incorporated.

And be sure to check for unclaimed property every year or so. While most states hang onto cash until it is claimed, they usually auction off the contents of safe deposit boxes after a specified period, holding only the proceeds for the owners.

If you discover that property is being held for you, you can file a claim for it with the state that is holding it. The directions for filing a claim are typically posted on the state's unclaimed property website.

Of course, your best course of action is to prevent your property from being turned over to the state in the first place. Here are a few steps you can take that may help.

- Promptly cash all checks, such as checks for wages, dividends, royalties, refunds, and insurance settlements.
- Continue to pay the rental fees on your safe deposit box.
- Keep records of your bank accounts, investment accounts, retirement accounts, insurance policies, and safe deposit boxes.
- Keep your financial accounts active by making at least one deposit or withdrawal per year.
- When you move or change your name, notify your banks, brokers, retirement plan administrators, and insurance companies.
- When you move, be sure to claim refundable deposits that you made in connection with your former home, such as for rent, phone services, or utilities. ■

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Types of Unclaimed Property

Uncashed Checks

Savings/Checking Accounts

Certificates of Deposit

Safe Deposit Box Contents

Insurance Benefits/Policies

Telephone/Utility Deposits

Rental Security Deposits

Stocks and Dividends

Mutual Funds

Trust Funds

Inheritances

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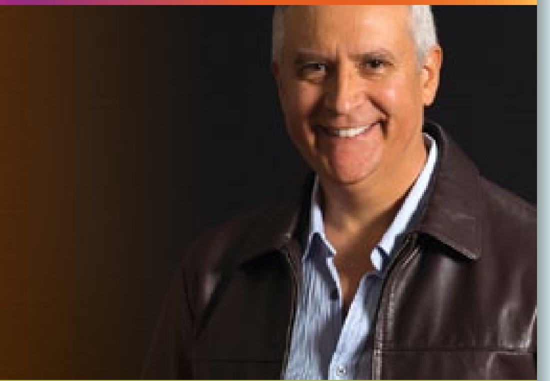
The state of Texas estimates that one in four Texans have unclaimed property being held for them in state coffers.



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What are real estate investment trusts?

Real estate investment trusts, or REITs, offer investors a way to tap into the income potential of real estate, as well as diversify their portfolios.

WHAT ARE REITs?

A REIT is generally a real estate company that owns and manages income-producing real estate, such as office buildings, shopping centers, and health care facilities. To receive a share of the potential income, you can purchase shares of publicly traded REITs just as you would any other stock or you can purchase shares of mutual funds or exchange-traded funds (ETFs) that focus on REITs. Non-publicly traded REITs may be an option, but please keep in mind that they involve special risks, such as a lack of liquidity.

TWO TYPES OF REITS

REITs typically fall into two categories: equity or mortgage. Equity REITs own and manage income-producing real estate, with most of their revenue coming from rents. Mortgage REITs focus on financing real estate, with most of their revenue coming from the interest they earn by investing in mortgages and mortgage-backed securities. Most publicly traded REITs fall into the equity category.

WHY INVESTORS CHOOSE REITS

Investors choose REITs for a few reasons. First, REITs tend to pay higher dividends than other types of companies because they are required by law to distribute at least 90% of their taxable income each year to shareholders. The dividends are not guaranteed and will fluctuate. Second, REITs sometimes react differently to market conditions than stocks and bonds, so adding them to a mix of stocks and bonds may help diversify the portfolio and reduce its overall volatility. Third, REITs offer investors the potential for long-term growth. ■

PLEASE NOTE:

Investing in REITs involves special risks, such as possible lack of liquidity and potential adverse economic and regulatory changes. For this reason, there are minimum suitability standards that must be met. Please ensure you read the prospectus carefully before investing. In addition, an investment in real estate will fluctuate with the value of the underlying properties, and the price at redemption may be more or less than the original price paid.

Before investing in mutual funds or ETFs, investors should consider a fund's investment objectives, risks, charges, and expenses. Contact your financial advisor for a prospectus containing this information. Please read it carefully before investing.

Diversification does not ensure a profit or protect against loss in declining markets.

Please consult your financial advisor for help in developing and implementing an investment plan.

Asset Location: A Strategy for Reducing Taxes on Your Investments

DO YOU HOLD INVESTMENTS IN BOTH taxable and tax-favored accounts? If so, you may be able to minimize your overall taxes by positioning those investments that are taxed less heavily in your taxable accounts.

For example, stocks that you plan to hold for longer than one year may be better off in a taxable brokerage account where their long-term capital gains and qualified dividends are taxed at a relatively low rate of 0%, 15%, or 20%. (A 3.8% surtax may also apply.) If the stock is held instead in a tax-deferred retirement account, it avoids taxation while in the account, but withdrawals will be taxed as ordinary income, at rates that currently range up to 39.6%.

Investments whose earnings will be taxed as ordinary income regardless of the type of account they are held in may be better off in a tax-favored retirement account, such as an IRA or a 401(k). This way, taxation is deferred for as long as the investments remain in the account, enabling the earnings to potentially compound unfettered by taxes.

Please consult your financial advisor about how to divvy up your investments between accounts with an eye toward minimizing your taxes. After all, it is not just how much your investments earn, but how much you get to keep after taxes. ■

TAXABLE ACCOUNTS *Regular brokerage accounts are generally a tax-savvy location for:*	**TAX-FAVORED ACCOUNTS** *IRAs, 401(k)s, and other retirement accounts are generally a tax-savvy location for:*
Stock index funds, tax-managed stock funds, and low-turnover stock funds with few short-term capital gains	High-turnover stock funds with significant short-term capital gains
Stocks that you will hold for more than one year	Stocks that you will hold for less than one year
Tax-exempt municipal bonds and municipal bond funds	Taxable bonds and bond funds, certificates of deposit
	Real estate investment trusts (REITs)

PLEASE NOTE:

Bonds are subject to interest rate risk. When interest rates rise, bond prices usually fall. The effect is usually more pronounced for longer-term securities. Fixed-income securities also carry inflation risk and credit and default risks for both issuers and counterparties. You may have a gain or loss if you sell a bond prior to its maturity date. A portion of a municipal bond's income may be subject to state tax, local tax, and the federal alternative minimum tax.

Before investing in mutual funds or ETFs, investors should consider a fund's investment objectives, risks, charges, and expenses. Contact your financial advisor for a prospectus containing this information. Please read it carefully before investing.

Index funds are subject to market risk, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. Also, an index fund's target index may track a subset of the U.S. stock market, which could cause the fund to perform differently from the overall stock market.

2014 Year-End Tax Planning Guide

Year-end strategies to minimize federal taxes on your income and estate.

AFTER AN INCREASE IN TAX RATES for high-income taxpayers in 2013, the tax rates remain unchanged in 2014 and are expected to remain so for the near future. The tax rates on ordinary income range from 10% to 39.6%, with the top rate applying to ordinary income above $406,750 (singles) or $457,600 (joint filers).

The tax rates for long-term gains and qualified dividends remain 0%, 15%, and 20%, with the 20% rate applying to taxpayers in the top income tax bracket (income above $406,750 for singles or $457,600 for joint filers). The 0% rate is available to taxpayers in the lowest two income tax brackets and provides an opportunity for high-income families to trim the tax on long-term capital gains by shifting appreciated assets to family members in the lowest two tax brackets.

The 3.8% net investment income tax, introduced last year, remains in effect, impacting the unearned income (e.g., interest and dividends) of taxpayers with a modified adjusted gross income that exceeds of $200,000 (singles) or $250,000 (joint filers). This tax applies in addition to other taxes, resulting in some high-income taxpayers paying as much as 23.8% tax on long-term capital gains and qualified dividends and 43.4% on short-term capital gains and interest income. Fortunately, there are ways to minimize the taxes on the investment income from your taxable accounts, such as using losses to offset gains and choosing tax-exempt municipal bonds rather than taxable bonds.

The alternative minimum tax (AMT) exemption was automatically adjusted for inflation for 2014. Even so, the AMT is expected to impact millions of middle- and high-income taxpayers this year. Those individuals most apt to be subject to the AMT include people who live in high-tax states, realize a large amount of capital gains, claim a large number of exemptions, or exercise incentive stock options without selling the stock in the same year.

Before you do any tax planning, please check with your tax advisor to see if you will be subject to the AMT this year. Many of the strategies described here are not appropriate for use with the AMT. If it looks like you will be affected by the AMT, your tax advisor can help you identify appropriate tax-minimization strategies for your situation.

Many of the so-called tax "extenders" expired at the end of 2013 and have not been extended as of the time this publication was written. Expired tax provisions still up in the air for 2014 include the deduction for state and local sales tax, the teacher expense deduction, the tuition and fees deduction, the $500 credit for making energy-efficient improvements to your main home, and the ability for people over age 70½ to make tax-free distributions from their IRAs to qualified charities.

In 2014, a few provisions of the Affordable Care Act kicked in, including new tax credits to help low-income people pay their health insurance premiums and a new penalty for individuals without health insurance. The penalty is payable when you file your 2014 tax return unless you have minimum essential coverage or qualify for an exemption, such as an affordability hardship. The penalty for 2014 is the higher of 1% of your yearly household income (up to the amount of the national average premium for a bronze plan) or $95 per adult plus $47.50 per child under 18 (up to a maximum of $285 per family). The penalty amount increases every year.

Looking ahead, sweeping changes to our tax system are not expected in the near future as Washington remains divided over tax reform. Perhaps the year's most notable proposal for reform was introduced by House Ways and Means Committee Chairman Dave Camp (R-MI) in February 2014. Highlights of the draft include a new tax rate structure with just three rates for individuals (10%, 25%, and 35%), long-term capital gains and dividends taxed as ordinary income but with 40% of such income exempted from tax, a more generous standard deduction, and the repeal of the AMT.

The President's Budget once again calls for a 28% cap on the value of itemized deductions and other tax preferences for the wealthiest taxpayers and a requirement that millionaires pay no less than 30% of income in taxes, after charitable contributions.

Tax planning may help you...

- Reduce the taxes on your income.
- Reduce the taxes on your investments.
- Take advantage of credits and deductions.
- Free up cash for investment and other purposes by deferring tax into future years.
- Utilize accounts where earnings grow tax-free and can be distributed tax-free for specific uses (e.g., retirement, tuition, health care expenses).
- Avoid penalties for underpaying estimated taxes or not having enough money withheld from your pay.
- Maximize the wealth that stays in your family.
- Minimize potential estate taxes so that more of your estate goes to your beneficiaries.
- Maximize the tax benefit you receive from your charitable gifts.

Strategies to reduce tax on ordinary income

Time your income and deductions. Timing when you receive income and pay deductible expenses may benefit you.

If you expect to be in a different tax bracket next year, shifting income and deductions between years may reduce your income tax over the two-year period. Generally speaking, it is a good idea to defer income to a year when you are in a lower tax bracket so that more of your income is taxed at a lower rate. And it is a good idea to pay deductible expenses in a year when you are in a higher tax bracket because deductions may reduce your taxes more when you are taxed at higher rates. For example, if you are in the 25% tax bracket now and expect to be in the 28% bracket next year, a $10,000 deduction may reduce your taxes by $2,500 this year or by $2,800 next year.

If you expect to be in the same tax bracket next year, it is generally a good idea to defer income and accelerate deductions so that you gain another year to use or invest the money you otherwise would have paid in taxes this year.

While certain types of income, such as your paycheck, are nearly impossible to time, other types are more easily timed. They include income from self-employment, retirement accounts, home sales, and the exercise of stock options.

Deductible expenses that lend themselves to being timed include mortgage interest, state and local income taxes, real estate taxes, charitable donations, and medical expenses.

On the surface, shifting income and deductions into the more advantageous year is a simple concept. Keep in mind, though, that there is nothing simple about the federal tax code. Moves you make may have unintended consequences, such as making you ineligible for certain credits and deductions with income limits, reducing the value of your personal exemptions and certain itemized deductions, or making you liable for the AMT. For this reason, it is imperative to consult your tax advisor, who can evaluate the impact of shifting income and deductions on your overall tax situation.

Bunch deductions. Paying deductible expenses in one year that you would normally pay in two years may reduce your taxes if it enables you to claim a deduction with an adjusted gross income (AGI) threshold.

For example, you may only deduct unreimbursed medical and dental expenses that exceed 10% of your AGI (7.5% if you are age 65 or older or have a spouse in that age group). If your 2014 expenses are just under the threshold, paying some 2015 expenses (e.g., buying eye glasses or prescription drugs) in 2014 may help you deduct some of your medical and dental expenses this year. The deduction for miscellaneous expenses also has an AGI threshold: 2%.

If you normally claim the standard deduction, bunching deductions may help boost the deductible expenses you pay this year above the standard deduction amount, making it possible for you to itemize deductions and claim more than the standard deduction amount this year.

Contribute to your IRAs and retirement plans. One sure-fire way to reduce your income tax this year is to contribute to a workplace retirement plan. Every dollar that you contribute to a tax-deferred 401(k) or similar retirement plan is generally one less dollar that you will have to pay income tax on this year. For example, a $17,500 contribution to a 401(k) plan by someone in the 25% tax bracket reduces this year's taxable income by $17,500 and their federal income tax by $4,375. Of course, the tax is simply deferred and withdrawals from the plan will be subject to income tax, but until then you can put the money you otherwise would have spent on taxes to use building your retirement savings or pursuing other goals.

Contributions to a traditional IRA can also lower your current income taxes if you are eligible to deduct them. To deduct your contributions, you (and your spouse, if married) must not be covered by a retirement plan at work or your income must be under a certain limit.

Ordinary Income Tax

This tax applies to ordinary income, such as income from wages, self-employment, taxable interest, short-term capital gains, non-qualified dividends, and taxable distributions from IRAs and retirement plans.

2014 Federal Tax Rate	**Unmarried** Taxable Income[1]	**Married Filing Jointly or Surviving Spouse** Taxable Income[1]	**Married Filing Separately** Taxable Income[1]	**Head of Household** Taxable Income[1]
10%	Not over $9,075	Not over $18,150	Not over $9,075	Not over $12,950
15%	$9,076–$36,900	$18,151–$73,800	$9,076–$36,900	$12,951–$49,400
25%	$36,901–$89,350	$73,801–$148,850	$36,901–$74,425	$49,401–$127,550
28%	$89,351–$186,350	$148,851–$226,850	$74,426–$113,425	$127,551–$206,600
33%	$186,351–$405,100	$226,851–$405,100	$113,426–$202,550	$206,601–$405,100
35%	$405,101–$406,750	$405,101–$457,600	$202,551–$228,800	$405,101–$432,200
39.6%	Over $406,750	Over $457,600	Over $228,800	Over $432,200

[1] *Taxable income is your total income for the year, reduced by your deductions and exemptions.*

Standard Deduction for Most Taxpayers

The standard deduction reduces the amount of income that you are taxed on. You can either claim it or itemize deductions, whichever approach results in the larger deduction. *Please note that taxpayers age 65 or older or blind qualify for a higher standard deduction than shown here.*

Filing Status	2014 Standard Deduction
Unmarried	$6,200
Married Filing Jointly	$12,400
Married Filing Separately	$6,200
Head of Household	$9,100

Personal Exemption Phase Out and Overall Limitation on Itemized Deductions

The value of your personal exemptions and certain itemized deductions will be reduced if your adjusted gross income (AGI) exceeds the amount shown at right for your filing status. Itemized deductions that are subject to the overall limitation include deductions for taxes that you paid, interest that you paid, charitable gifts, job expenses and most miscellaneous deductions.

Filing Status	The value of exemptions and certain itemized deductions are reduced if AGI exceeds:
Unmarried	$254,200
Married Filing Jointly	$305,050
Married Filing Separately	$152,525
Head of Household	$279,650

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Strategies to reduce tax on investment income

Hold investments long enough to qualify for lower tax rates. If you hold investments in a taxable account long enough, you may be able to cut the tax on their earnings by as much as half.

For example, by holding appreciated mutual funds, stocks, and other securities for longer than one year before selling, you can use the appropriate long-term capital gain tax rate (0%, 15%, or 20%) on your profit. Sell any sooner, and your profit will be taxed as ordinary income, at rates that range up to 39.6%.

You can also use the 0%, 15%, or 20% tax rate on your qualified dividends as long as you have held the stock or stock fund for at least 61 days around the stock's ex-dividend date. Otherwise, your dividends will be taxed as ordinary income. (The holding period for preferred stocks may be different.)

This tip applies only to investments held in taxable accounts. How long you hold investments before selling them in an IRA or a workplace retirement plan does not affect how the money in those accounts will eventually be taxed.

Offset gains with losses. Although you never want to make an investment decision based solely on taxes, taxes are an important factor to consider when buying and selling securities. If you expect to realize a significant amount of capital gains this year, review your portfolio for investments that have lost ground that you may wish to sell. The losses can be subtracted from your capital gains to reduce or eliminate the amount of gains that you will have to pay tax on. And if your losses exceed your gains, $3,000 of the excess can generally be deducted from your ordinary income. Any remaining losses can be used in future years to reduce your taxes.

Avoid wash sales. If you sell a security at a loss and then buy a substantially identical security within 30 days of the sale (before or after), you have what is known as a wash sale and cannot claim the loss on this year's tax return.

Avoid buying a taxable distribution. In December, many mutual funds distribute to shareholders the capital gains that the funds accumulated throughout the year selling securities. If you purchase a mutual fund in a taxable account on or before the record date for the distribution, you will end up paying tax on the gains this year. To avoid an immediate tax liability, wait until after the record date to purchase mutual funds in taxable accounts. You can purchase mutual funds at any time in an IRA or workplace retirement plan because capital gains distributions in tax-favored accounts do not trigger a tax liability.

Give appreciated securities to family members in the 10% or 15% income tax bracket who are not subject to the kiddie tax. They can sell long-term appreciated securities without owing any tax on the capital gains thanks to the 0% tax rate on long-term capital gains in effect for individuals in the lowest two income tax brackets. To qualify for the long-term status needed to use the 0% rate on capital gains, you and the gift recipient must hold the securities for a total of more than one year.

Beware of the kiddie tax. Will your young child's unearned income, such as interest, dividends, and capital gains, exceed $2,000 in 2014? If so, the excess will generally be taxed at your highest tax rate rather than the child's lower rate if the child is under age 19, or age 24 if a full-time student. You may be able to minimize the so-called "kiddie tax" by managing when your child sells investments so that the capital gains and other unearned income remain below the annual kiddie-tax threshold ($2,000 in 2014).

Avoid capital gains tax through charitable giving. When making a gift to charity, donating appreciated securities held for longer than one year rather than cash may provide you with a greater tax benefit. Let's say you are considering donating either $50,000 in cash or $50,000 in stock that you purchased several years ago for $10,000. Either way, you can generally claim a charitable deduction for your gift, but by donating the stock you also avoid paying capital gains tax on the $40,000 increase in value that occurred while you owned the stock. And if you want, you can use the cash to buy $50,000 of the same stock you donated, resulting in new shares with a basis of $50,000 rather than $10,000—an increase that will benefit you tax-wise when you eventually sell the new shares. (Please note that the deduction for charitable gifts is subject to various limits.)


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Capital Gains/Qualified Dividends Tax

This tax applies to long-term capital gains and qualified dividends realized in a taxable account (not in a retirement plan account). An additional 3.8% net investment income tax may also apply if your income exceeds the threshold for that tax.

2014 Federal Tax Rate	Applies to the net long-term capital gains and qualified dividends of:
0%	Taxpayers in the 10% or 15% ordinary income tax bracket.
15%	Taxpayers in the 25%, 28%, 33%, or 35% ordinary income tax bracket.
20%	Taxpayers in the 39.6% ordinary income tax bracket.

3.8% Net Investment Income Tax

This 3.8% surtax affects taxpayers with net investment income and a modified adjusted gross income (MAGI) in excess of the thresholds shown below. The surtax applies to the lesser of your net investment income or the amount by which your MAGI exceeds the threshold for your filing status.

Tax Filing Status	MAGI Threshold
Unmarried	$200,000
Married Filing Jointly	$250,000
Married Filing Separately	$125,000
Head of Household	$200,000

Net investment income DOES NOT include:	Net investment income DOES include net income from:
Wages	Interest
Self-employment income	Dividends
Income from an active business	Capital gains
Interest on tax-exempt bonds	Rents
IRA distributions	Royalties
Retirement plan distributions	Non-qualified annuity income
Social Security benefits	Income from passive activities
Alaska Permanent Fund Dividends	Income from a business that trades financial instruments or commodities

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Strategies to reduce tax on your gifts and estate

Make annual gifts. If you expect that your estate will be subject to estate taxes, you may want to take advantage of the annual gift tax exclusion to transfer wealth every year without federal transfer tax repercussions.

This year's annual gift tax exclusion is set at $14,000, enabling you to give as many people as you want up to $14,000 each in 2014 without your gift being subject to the federal gift tax or using up any of your lifetime exclusion for federal transfer taxes. Married couples can combine their annual exclusions and give up to $28,000 to as many people as they choose in 2014.

By making gifts this way on an annual basis, you can transfer significant amounts out of your estate without using any of your lifetime exclusion.

Take advantage of the increase in the lifetime exclusion. Because the lifetime amount that you can exclude from federal gift, generation-skipping, and estate taxes is indexed for inflation, the exclusion amount typically increases each year. This year, the lifetime exclusion increased by $90,000, from $5.25 million in 2013 to $5.34 million in 2014. So even if you fully used your lifetime exclusion in prior years, you can now transfer another $90,000 (in addition to your annual exclusion) to your beneficiaries without paying tax on your gifts. By transferring assets now, your gift's future appreciation and income occurs outside of your estate and avoids being reduced by taxes on your estate later on.

Make charitable gifts. If you have a charitable inclination, making a gift to charity is a great way to reduce the size of your estate. And not only will your donation reduce your taxable estate, it also will generally provide an income tax deduction, which can improve your current tax situation if you itemize deductions.

Before you write a check to a charitable organization, be sure to consider that how you structure your gift may help you meet specific financial objectives. For example, by using a charitable remainder trust, you can generate a potential income stream for yourself or another beneficiary from the donated assets, with the remaining trust assets eventually going to your chosen charities. By using a charitable lead trust, you can provide a potential income stream to your chosen charities now, with the remaining assets eventually going to your heirs at a reduced gift or estate tax cost.

For help maximizing the tax benefits of your charitable gifts, please consult your tax advisor.

Pay medical expenses and tuition directly. If you are helping your child, grandchild, or other person pay for school or medical care, consider making your payment directly to the organization. Why? Because the gift tax does not apply to payments for tuition or unreimbursed medical care that are made directly to an educational or medical organization.

Accelerate your gifts with a 529 plan. 529 college savings plans offer you a unique opportunity to transfer wealth to family members while helping them save for college.

You can contribute up to $70,000 per beneficiary in a single year to a 529 plan without your gift being subject to the federal gift tax or reducing the amount that you can exclude from transfer taxes later on. That is five times the annual gift tax exclusion amount! And if you are married and file a joint return, you and your spouse can jointly contribute up to $140,000 per beneficiary in a single year without your gift being taxable.

Here's how it works: When you contribute more than the annual gift tax exclusion amount to a 529 plan in one year, you can elect on your tax return to treat up to $70,000 of your contribution ($140,000 for joint filers) as if it was made equally over a five-year period. If you do not outlive the five-year period, a prorated portion of your contribution will be added back into your estate for estate tax purposes. ■

ABOUT 529 COLLEGE SAVINGS PLANS: *For more complete information about a 529 college savings plan, including investment objectives, risks, fees, and expenses associated with it, please carefully read the issuer's official statement before investing. It can be obtained from your financial advisor. Some states offer state residents additional benefits, such as a state tax deduction for contributions to the plan, reduced or waived program fees, matching grants, and scholarships to state colleges. Any state-based benefit offered with respect to a particular 529 college savings plan should be one of many appropriately weighted factors to be considered in making an investment decision. You should consult with your financial, tax, or other advisor to learn more about how state-based benefits (including any limitations) would apply to your specific circumstances. You also may wish to contact your home state or any other 529 college savings plan to learn more about the features, benefits, and limitations of that state's 529 college savings plan.*


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Please consult your tax advisor before the end of the year for advice on how to potentially lower the taxes on your income and estate. Your advisor can analyze your situation, determine whether the AMT is a factor, and suggest tax-minimizing strategies appropriate for you. Also, please consult your investment advisor for help identifying adjustments to your portfolio that may benefit your tax situation.

Estate, Gift, and Generation-Skipping Tax

You can transfer up to $5.34 million to your beneficiaries during or after your lifetime without owing a cent in federal transfer taxes (estate, gift, or generation-skipping), thanks to the lifetime exclusion for those taxes. Married couples can transfer twice that amount ($10.68 million) by using both of their lifetime exclusions. (The exclusion amount is indexed for inflation and will typically increase annually.)

Wealth that you transfer to beneficiaries other than your spouse or charities in excess of the lifetime exclusion amount will be subject to federal transfer tax at rates up to 40%. Some states also tax wealth transfers, and their exclusion may be significantly less than the federal exclusion. As a result, your estate may be liable for state death taxes even if it is not liable for federal estate taxes.

Federal Exclusions and Maximum Tax Rate	2014
Annual Gift Tax Exclusion	$14,000
Lifetime Exclusion	$5,340,000
Maximum Tax Rate	40%

Tips to Help Aging Parents Manage Their Finances

How to help your parents protect their financial security as they age.

Gather the facts. Before you can begin to help your parents, you need to gather the facts about their financial situation and plans.

Ask your parents about their income, savings, investments, expenses, liabilities, and health insurance coverage. Find out how they want certain situations handled, such as if they are no longer physically or mentally able to live on their own, and whether they have plans in place to address such a scenario. Determine whether they have set up legal documents granting decision-making authority for finances and health care to an individual of their choosing in case they ever become incapacitated. Learn where those documents are kept.

The best time to ask these questions is while your parents are in good health and able to clearly communicate the details of their finances and their plans. Waiting until a crisis strikes may make it more difficult for you to ascertain their financial situation and how you may best help.

Simplify it. Simplifying their daily finances may help your parents manage them longer on their own, as well as make them easier for you to manage if and when necessary. Here are a few ideas to help simplify things.

Arrange to have all income directly deposited into the appropriate accounts so that your parents do not have to drive to the bank simply to deposit a check.

Consolidate financial accounts so that there are fewer statements to review.

Take advantage of automatic bill payment services to pay recurring bills, such as utility, cable, and phone bills.

Set up third-party notification with service providers (e.g., utility companies and water suppliers) and taxing authorities so that past-due, shut-off, and unpaid-tax notices are sent to you, as well as your parents. (You are not responsible for paying them.)

Make it legal. To prepare for the possibility that they may need help someday managing their finances, it is generally a good idea for each of your parents to have a durable power of attorney drawn up. With this document, your parents grant a trusted person the legal authority to manage their financial affairs on their behalf. The "durable" aspect of the document ensures that it will remain in effect even if your parents are incapacitated.

Many financial institutions have their own power of attorney forms and may not readily accept a power of attorney created elsewhere. Please consult your legal advisor about how to prepare for this possibility.

Your parents may also want to consider holding their assets in a revocable living trust. This legal arrangement allows them to name a successor trustee who can manage the assets in the trust on their behalf if they are unable or unwilling to do so.

Find help. If your parents need assistance with their finances now, consider hiring financial professionals for those tasks that you may not have the time or expertise to handle yourself. For example, consider using a financial advisor to help assess your parents' financial situation and manage their investments and a tax advisor to prepare and file their tax returns.

You may also want to hire a daily money manager to help prepare checks, pay bills, dispense cash to your parents, and handle other financial tasks. Your financial advisor or a local senior services organization may be able to recommend someone. Or you can check the American Association of Daily Money Managers' website, www.aadmm.com, for a list of money managers in your parents' area.

There are also numerous government and public programs available if your parents are short of funds and need help paying for health care, utilities, and other essential services. Two websites—www.benefits.gov and www.benefitscheckup.org—can help locate programs for which your parents may be eligible.

Please consult your tax, financial, and legal advisors for advice on your parents' situation. ■

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Knowing where your parents keep these important documents and financial records may make it easier for you to help them manage their finances.

Durable power of attorney

Health care proxy

Living will

Will

Trust documents

Marriage and birth certificates

Military records

Property titles

Mortgage documents

Insurance policies

Health insurance info and cards

Social Security cards

Tax returns

Financial statements and records

Location and key to safe deposit box

Contact info for your parents' financial and legal advisors

GARDEN ROUTE | South Africa

BY BRIAN JOHNSTON

THE TRUTH IS, GARDENS ARE SCARCE along the Garden Route. Neatly-mowed lawns and pretty flowerbeds are far from this drive's chief attractions, and tulips will seem tame once a baboon is sitting on your car bonnet. Instead of strolling garden paths, you might be wading through a swamp in pursuit of psychedelic flamingos. Never has a tourist route been so modestly and misleadingly named.

South Africa's Garden Route leads you past wild beaches where waves crash and through misty valleys where leopards moan. There's scarcely an inch of its 480 miles that isn't beautiful. Hike through damp forests with monkeys, swim off pristine beaches where seals flop. When you've had enough of nature, civilization is only down the road in the form of a cold drink on a hotel terrace. Garden Route this isn't, Paradise Road it might well be.

The Garden Route most visitors drive is the N2 highway between Cape Town and Port Elizabeth, but refers specifically to the highly scenic section that hugs the coast between Mossel Bay and Storms River, about half its length. It's a popular holiday destination and very well supplied with accommodations, from luxury boutique retreats to excellent campsites. Good roads, glorious scenery, and plenty of tempting detours off the highway are tailor-made for a driving holiday in what is also one of the safest regions of South Africa.

Most visitors start at the western end of the Garden Route in Cape Town. As you head out of the city, the N2 passes through rolling wheat country. A detour south to Cape Agulhas brings you to the southernmost tip of Africa, where the Indian and Atlantic Oceans meet in a collision of pounding waves. At Mossel Bay the main highway dips down to the coast, and you can settle in for some spectacular scenery. The town of George makes for a good first base. If any part of the region can be compared to a garden, it's the lush green countryside around this town, sandwiched between the coast and the Outeniqua Mountains.

George was described in 1811 as 'the prettiest village in the world' by novelist Anthony Trollope, and nothing much has changed. The town is dotted with historic buildings in the Cape Dutch and

The Garden Route meanders through a scenic stretch of southeastern South Africa (left). A short detour from the eastern end of the Garden Route takes you to the Addo Elephant National Park (below).

European styles of the eighteenth and nineteenth centuries. Outside the library on York Street stands an oak tree under which slaves were once bartered. Pieces of slave chains and an old lock are still embedded in the bark in an eerie reminder of Africa's dark past.

The Garden Route leads on to Wilderness, a relatively upmarket resort town with good beaches backed by lagoons and marshes haunted by flamingos and spoonbills. If you think bird-watching is boring, you might change your mind after seeing giant kingfishers hunting across the lakes, and flocks of flamingos moving in pink clouds across a silvery sheen of water like a scene from *Out of Africa*.

The next stretch of the Garden Route eastward leads into Knysna, where the region's natural splendors converge in a shimmer of lagoons and scalloped coastline. You could easily stop here for a few days of swimming, fishing, and walking through the area's giant yellow-wood forests, damp and dripping with ferns. If you're an ardent angler, don't miss the town's Angling Museum, which follows the history of rods, reels, and hooks and is the only museum of its kind in the southern hemisphere. Knysna is also a good place to buy souvenirs such as woven fabrics, pottery, and handcrafted wooden furniture made from local hardwood.

Not much further east, Plettenberg Bay has more marvelous coastal scenery, where sluggish rivers meet golden beaches and frothing surf. It's very upmarket in places, home to the holiday villas of wealthy South Africans—though you can also take a tour through the local shantytown and learn how the vast majority of South Africans actually live.

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Plettenberg Bay is the sort of place where you wake up late, play a round of golf, go for a coastal walk, and then enjoy a gin-and-tonic as you watch the sun set. The town is dotted with boutique hotels and luxury B&Bs, or you could stay in the countryside beyond town.

The nearby Robberg Peninsula has a 6-mile trail from which you can observe seals, humpback whales, and a variety of sea birds. This windswept peninsula also has shell deposits left over in middens that are remnants of the beachcombers who lived here at the time of the first European settlement.

Plettenberg Bay also offers plenty of water sports such as boating, water-skiing, wind surfing, canoeing, and diving. In fact, the warmth of the Indian Ocean and the many lakes of the Garden Route make water sports available just about everywhere along its length. Some of the coast's surfing spots are of international standard, including Lookout, Kuerbooms, and Robberg beaches. Jeffrey's Bay is rated by some as having the best surf in South Africa; its streets are lined with surf shops, as well as whale-watching companies and ice-cream parlors.

From Plettenberg Bay, it's best to momentarily leave the N2 and instead take the R102, which passes several gorges and leads through forest where monkeys, duiker, bushbuck, and brightly-colored loerie birds can be spotted, as well as a kaleidoscope of startling butterflies and lizards. At Storms River Mouth you'll find an unspoiled, rocky shoreline and a breathtaking campsite location near Tsitsikamma National Park.

Here you can follow nature trails through tangled undergrowth and overhanging trees where monkeys roam. The best-known path is the Otter Trail, a five-day, 30-mile coastal trek that's among the most popular hiking routes in South Africa. Only twelve people are allowed along the trek each day (you'll have to book ahead through the National Parks Board), so this is truly getting away from it all.

The Garden Route finally leaves the coast at Storms River, where the foolhardy take a bungee-jump from the road bridge while monkeys leap in the trees. Still, just keep on driving and the splendid scenery continues until you get to the outskirts of industrial Port Elizabeth, the official end of the Garden Route. Turn inland here, however, and you can top your drive off with a safari experience at private game reserves, which offer the chance to see elephants, giraffes, zebras, and lions. If the Garden Route has one downside, it's that you won't see any of the big game for which South Africa is renowned along the coast itself.

At the end of a day's animal encounters, guests gather around the safari lodge's boma (open-air fireplace) to warm themselves as the evening cools and swap stories about the day's adventures. Sunset flares in a magnificent display of crimson, pink, and gold. Then it's dark, and out of the night an elephant trumpets: the spellbinding call of the wild. ■

The Bridge at Argenteuil is one of 52 works by Claude Monet in the exhibition *Monet and the Seine: Impressions of a River* at The Museum of Fine Arts, Houston.

Claude Monet, *The Bridge at Argenteuil*, 1874, oil on canvas, National Gallery of Art, Collection of Mr. and Mrs. Paul Mellon, 1983.1.24.

What's On At The Art Museums

CINCINNATI ▶ Big Pictures
Greater Cincinnati · Through May 30, 2015

A year-long exhibition of photographs is underway on the billboards of Greater Cincinnati. The works of 18 local, national, and international photographers will be displayed along the highways and byways over the course of the year.

HOUSTON ▶ Monet and the Seine: Impressions of a River
The Museum of Fine Arts, Houston · October 26, 2014–February 1, 2015

Chronicling Impressionist Claude Monet's fascination with the Seine River, this exhibition features 52 of his paintings, including scenes of leisure activities, life, and cityscapes along the river, as well as works from his ethereal Mornings on the Seine series.

MADISON, WI ▶ From Here to There: Alec Soth's America
Madison Museum of Contemporary Art · Through January 4, 2015

The works of photographer Alec Soth are the subject of this exhibition, which features his early black and white images, his Sleeping by the Mississippi and Niagara series, and several new bodies of work not previously exhibited.

PHILADELPHIA ▶ Paul Strand: Master of Modern Photography
Philadelphia Museum of Art · October 21, 2014–January 4, 2015

This exhibition surveys the life's work of photographer Paul Strand, with approximately 250 of his finest prints from the 1910s through the 1960s on display.

SEATTLE ▶ Pop Departures
Seattle Art Museum · October 9, 2014–January 11, 2015

This exhibition features works by artists who defined American Pop art in the '60s—Roy Lichtenstein, Andy Warhol, and Claes Oldenburg, to name three—as well as works by major contemporary artists for whom Pop art was an inspiration.

WASHINGTON, D.C. ▶ Andrew Wyeth: Looking Out, Looking In
National Gallery of Art · Through November 30, 2014

Andrew Wyeth's fascination with windows is explored in a major exhibition of more than 60 of his tempera paintings, watercolors, and drawings. ■

QUIZ

TAKING FLIGHT

1. Gatwick and Heathrow Airports serve which city?

A. London
B. Rome

2. The dragon-like form of this airport's Terminal 3 stretches for 2 miles, making it one of the world's largest buildings:

A. Beijing Capital International Airport
B. Newark Liberty International Airport

3. The Hartsfield–Jackson Atlanta International Airport is the largest hub for:

A. United Airlines
B. Delta Air Lines

4. Paris is served by three airports: Orly, Paris-Beauvais, and:

A. Charles de Gaulle
B. Logan

5. This airport changed its name in 1949 in honor of a World War II battle:

A. Waterloo Regional Airport
B. Chicago Midway International Airport

6. LAX is the code for an airport in:

A. Los Angeles, CA
B. Las Vegas, NV

7. Mobile lounges and Plane Mates transport passengers from the terminal to the gates or the planes at this airport:

A. Dulles International Airport
B. John F. Kennedy International Airport

8. This airport has the only passenger bridge in the U. S. where you can watch an airplane taxi beneath you:

A. Los Angeles International Airport
B. Denver International Airport

9. Which city's airport goes by the name "Sunport"?

A. Albuquerque, NM
B. Boston, MA

10. Which city's airport goes by the name "Sky Harbor"?

A. Miami, FL
B. Phoenix, AZ

ANSWERS: 1–A, 2–A, 3–B, 4–A, 5–B, 6–A, 7–A, 8–B, 9–A, 10–B

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333 Elm Street, Suite 210
Dedham, MA 02026

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WEALTH MANAGEMENT & FINANCIAL PLANNING

Barbara Shapiro, CFP, CDFA, CFS & Herb Shapiro

Founded in 1988 as an independent firm, HMS Financial Group is committed to ethical and personal financial planning and wealth management. Operating as an Office of Supervisory Jurisdiction (OSJ) for one of the largest, independent investment broker/dealers* in the United States, HMS does not have proprietary products, and has no vested interest other than the financial success of its clients.

Herb Shapiro, Vice-President and founder, brings more than 44 years of industry experience to the HMS team. He began his career in 1970, and worked for several firms until 1988, when he founded HMS Financial Group. His core values of providing personal service, maintaining market objectivity, and high standards of integrity and honesty with the clients he serves, are deeply imbued in the HMS philosophy.

Barbara Shapiro, President, is a Registered Investment Advisor with the Commonwealth of Massachusetts, is a Certified Financial Planner™ and one of the first Certified Divorce Financial Analysts in Massachusetts. She holds a Master of Science in Finance from Suffolk University and is a Graduate of the Securities Industry Association Institute at the Wharton School. Additionally, she holds a Master of Education in Counseling from Boston University and a Master of Education in Moderate Special Needs from Northeastern University.

Among her many recognitions, Barbara has served as a National Board Member of the Securities Industry Foundation for Economic Education, past member of the Boston Jewish Community Women's Fund, and the Treasurer of the Massachusetts Council of Economic Education. She is continually interviewed and quoted in all of the major financial publications.

She is an active lecturer to diverse groups and educational institutions, and has written and teaches a course on financial planning, investments, and long-term care insurance.

Tel: 781-251-2655 • Fax: 781-251-2656 • Location: 333 Elm Street, Suite 210, Dedham, MA 02026
E-Mail: bshapiro@hms-financial.com